

MANAGEMENT BY OBJECTIVES

BY

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VIEWPOINTS, OBJECTIVES, GOALS, SERVICES AND POLICIES

Viewpoints are the system of ethics and ideals under which the business operates--the set of precepts which the business believes such as democracy, religious freedom, honesty, freedom of choice, and so forth. The business should express these viewpoints openly and should live by them so that customers and competitors can observe their viewpoints.

Objectives are the intended aims which prescribe definite scope and suggest direction to the efforts of a manager. Objectives should be stated by the Board of Directors in a definite way and should be made known to the manager, employees, and owners. Everyone concerned should know what the organization stands for and what it is trying to do.

Goals consist of the short-run means of reaching the objectives of the business. Goals are standards to be attained and these goals can be more easily attained if they are realistically established in advance.

Services: Businesses are set up to provide services for their customers. The planners must determine the kind and extent of services to be rendered and where they will be secured. Before establishing services it is also necessary to know something about the total requirements of the services and their financial requirements.

Policies are generalized guides to decisions. Policies are most valuable where the manager and the employees need to act in recurring situations without consultation with superiors. To instrument the use of policies, authority and responsibility must be properly delegated.

To Illustrate:

A statement that "farmers have the right to organize their economic power cooperatively so as to provide themselves with farm supplies at reasonable cost," expresses a viewpoint.

The statement, "Our business is to permit farmers to improve their economic position by enabling them to join the Besta Grain and Supply Cooperative and through it purchase feeds and supplies at the lowest possible prices,"

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sets forth an objective.

This statement expresses a goal: "The Besta Grain and Supply Cooperative aims to increase sales 25 percent during the coming year."

The viewpoint of the business is the very reason for being and careful thought must be given to it. The firm's objectives will deal with what it aims to accomplish and its goals with the measurable achievements which mark the route toward the attainment of its objectives.

The viewpoint tends to remain fixed while objectives and goals are changed as often as is necessary to meet changing conditions.

A meeting should be held at which the Board and hired management of the agribusiness discuss their beliefs about the human, social, civic and cultural services and values that the business should contribute to the community. Written statements covering the firm's viewpoints, objectives, and goals should be prepared.

The firm's viewpoints, objectives, and goals should be widely circulated and explained. A viewpoint which is a mystery to employees, members, or the public will not prove very influential. Objectives and goals which are not understood and accepted are not likely to be achieved.

#### OBJECTIVES:

What are you trying to do? What is your cooperative trying to do? If your cooperative has a well-defined objective or objectives, you answered that question as one of the steps you used in establishing those objectives. You have employed the same question when setting objectives for yourself or your farm. Personal objectives are rarely stated in written form, but objectives for a business should be written.

#### Objective Defined:

Webster defines "objective" as an aim or goal.

A firm's objective is the intended aim which prescribes definite scope and suggests direction to the efforts of a firm.

In this definition four concepts stand out. They are:

1. Aim
2. Scope
3. Definiteness
4. Direction

We see from this definition that objectives are the target or the star for which we are aiming.

The words "goal" and "objective" are used interchangeably. In our Management Development Clinics and Cooperative Director Clinics we use the term "goal" as a short-run aim and "objective" as a long-run aim. In this same line of thought, we can liken objectives and goals to the different distances we set the targets to which we previously referred. Goals are much nearer than objectives.

#### Need for Objectives:

We need objectives in all organizations today. We need them for every function of management from planning to controlling. Our firm's objective is the statement that answers the question, "What are we trying to do?" Without objectives for our firm, we have nothing to "shoot" for and no way to tell if we "hit the mark."

#### Who Determines the Objectives at the Different Levels?

For an objective or goal to be important to a person, he should have a part in determining it. People will accept objectives quicker if they have helped formulate them. Thus, management needs to be included in the determination of the firm's objectives and needs to know how establishing and meeting goals contributes to the success of the organization as a whole.

#### Written Objectives:

Objectives need to be written for several reasons:

Written objectives contribute to better understanding by giving those concerned an opportunity to study them.

Written objectives create continuity.

If objectives are written, the Board and/or the Manager need not be present to relate them each time there is a question.

It is "good business practice" to have a written record of your firm's objectives.

#### Harmonizing Objectives:

There are three classes of objectives:

1. Those of the firm
2. Those of the hired manager
3. Those associated with individuals

Although these three classes cannot have the same objectives, they must be organized to compliment each other. This process is known as "Harmonizing Objectives." If a condition of harmony can be attained, teamwork will result and everyone will benefit.

Actually, a business can be likened to a football team. The fans can be likened to owners, the coach to the manager, and the players to the workers with the captain as foreman of the crew. If these three groups each have consideration for the others' goals and help each other, they have a good chance of success. On the other hand, if their goals are not in agreement, they will never reach their potential. For example, a coach who exploits his players only to gain a raise will probably fail just as quickly as the manager who exploits his employees for personal gain. If the manager works with and not against his employees, they both stand to profit.

Everyone has individual goals, and we know that these will be surrendered voluntarily for group goals if the group goals are sufficiently rewarding. The greatest task is to develop overall goals and objectives which will encompass all the individual goals concerned. At this point, teamwork is accomplished.

#### Objectives Must be Used:

Well-developed objectives are no help if they are not used. They must be used for guiding your firm's operation. In order to be effective in these capacities, they must be reviewed often. Objectives can be used as a scoreboard--to show how well you are doing.

Too often objectives are formulated, written, filed in a notebook and forgotten. They do no good inside that notebook. Only if you use them will they help you manage your organization.

#### Obstacles to Objectives:

The only problem with management by objectives is that it takes time and energy. Too many Board members are not willing to take the time to formulate and write the objectives. They prefer to continue without objectives and hope their business will operate efficiently. Cooperatives without objectives are like a ship at sea without a compass--they do not know where they are going and may not know where they are when they get there. Do not let your cooperative be operated in this manner.

#### SUMMARY

The foundation for any successful cooperative should be current and well-defined firm objectives. Objectives should be to the Board and hired management what the compass is to the navigator--a basis for charting a course and a means of determining when the firm is off that course.

Objectives are statements of purpose which define what the owners believe to be the firm's mission.

A cooperative firm should have objectives that represent a satisfactory integration of the aims and the needs of all major groups involved--employees, stockholders or members, consumers and suppliers.

Objectives are required in every area where performance and results directly and vitally affect the survival and prosperity of the business. This means each administrative unit within a firm, as well as the enterprise as a whole, should have objectives.

Objectives should help to:

1. Record the direction the company should take
2. Predict the behavior of each unit
3. Appraise soundness of decisions when they are being made
4. Improve overall business performance
5. Provide a basis for internal control

Aims:

Aims of a cooperative are often described in the articles of incorporation. These aims often may need to be interpreted as objectives. As other overall objectives become necessary, the Board and hired management are responsible for their development. In most cases, departmental objectives are developed by department personnel, with approval of the General Manager.

Goals:

Every cooperative needs attainable goals toward which the resources of the firm are directed. Goals are benchmarks of progress desired. They represent steps in reaching the firm's objectives.

Goals are time-oriented, and are one method of exercising control. Objectives, however, are not time-oriented.

Goals are derived after objectives have been formulated and are based upon courses of action to be taken in a specific period of time.

Goals:

1. Require integration of plans
2. Provide direction for planning
3. Help avoid conflicting and unproductive programs
4. Provide a basis for control and evaluation of progress.

Board of Directors Responsibility:

The Board of Directors establishes objectives of the firm with assistance from hired management. The reverse is often the situation with goals.

Manager's Responsibility:

Goals are best established by hired management and approved by the Board. Managers then, in turn, should translate the general objectives and goals to department heads who can then develop operating goals for their departments.